



Legislation Text

File #: 2022-317, Version: 1

Report to Mayor and City Council

Tuesday, April 19, 2022

Consent

SUBJECT:

CONSIDER RESOLUTION NO. 22-061, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DECLARING ITS INTENTION TO GRANT A NONPUBLIC UTILITY PIPELINE FRANCHISE TO ULTRAMAR, INC." AND SETTING THE PUBLIC HEARING (CITY COUNCIL)

I. SUMMARY

The City is considering a request from Ultramar Inc. ("Ultramar") to renew its nonpublic utility pipeline franchise for 20 years (10 years plus two 5-year options to extend). Pursuant to Charter Section 1001, the City Council must adopt a Resolution of Intention and conduct a public hearing prior to granting Ultramar a nonpublic utility pipeline franchise. This resolution declares the intent of the City Council and sets the public hearing date at May 17, 2022. Ultramar will adhere to the same franchise agreement fees as other pipeline companies approved by City Council in recent years, such as Tesoro Refining & Marketing Company, LLC, Torrance Pipeline Company, LLC, Shore Terminals, LLC, and Praxair, Inc. As a result, based on Ultramar's existing pipeline length of 100 feet within City's right of way, Ultramar will be paying the City a base franchise fee of an additional \$88.00 annually over and above the amount being paid to City currently, resulting in a total of \$1,760.00 in increased revenues and \$5,120.00 in total revenues over the course of the 20 year term of the franchise (10 years plus two 5 year options to extend), plus the base granting fee of \$1,600.00 and the retroactive base franchise fees covering the period from expiration of the existing franchise up to the time the renewed franchise goes into effect. This amount does not include the annual CPI adjustment, so the actual revenue received by the City over the renewed term will be greater than this estimate.

II. RECOMMENDATION

TAKE the following actions:

WAIVE further reading and ADOPT RESOLUTION NO. 22-061 "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DECLARING ITS INTENTION TO GRANT A NONPUBLIC UTILITY PIPELINE FRANCHISE TO ULTRAMAR INC. AND

SETTING THE PUBLIC HEARING”

III. ALTERNATIVES

TAKE another action the City Council deems appropriate, consistent with the requirements of the law.

IV. BACKGROUND

On April 1, 1997, the City Council adopted Ordinance No. 97-1111 which repealed Ordinance No. 83-652 in its entirety and superseded the franchise granted to Champlin Petroleum Company by Ordinance No. 83-652, while granting a 25-year term nonpublic utility franchise to Ultramar, Inc. (“Ultramar”). The franchise granted to Ultramar through Ordinance No. 97-1111 will expire May 1, 2022; however, Ultramar, which is current on its franchise payments as invoiced by the City, submitted to the Director of Public Works an application for renewal on March 28, 2022.

City staff has evaluated the relevant pipeline and confirmed the pipeline data and confirmed that the pipeline length is 100 feet and consistent with the franchise granted through Ordinance No. 97-1111.

In March 2022, the City and Ultramar agreed that the renewed franchise term will be 10 years plus two 5-year options to extend, agreed to the insurance terms, and agreed to an increase in the base franchise fee that will be subject to an annual cost of living adjustment (CPI). The agreed upon fee will increase to \$2.56 per lineal foot, which is the same fee that Tesoro Refining & Marketing Company, LLC, Torrance Pipeline Company, LLC, Shore Terminals, LLC, and Praxair, Inc. all agreed to pay with their franchise renewals beginning 2017. (The previous per lineal foot fee was \$1.68.) Ultramar will also pay City the base franchise fee to cover the period after the existing franchise expires until the renewed franchise goes into effect, and pay City a base granting fee of \$1,600.00 per the City’s Pipeline Franchise Ordinance.

This resolution does not approve the franchise. Rather, pursuant to Charter Section 1001, the City Council must adopt a Resolution of Intention and conduct a public hearing prior to granting Ultramar a nonpublic utility pipeline franchise by approval of an Ordinance. This resolution declares the intent of the City Council and sets the public hearing date at May 17, 2022.

V. FISCAL IMPACT

Based on the updated rate of \$2.56 per linear foot and the revised rate calculation methodology for base franchise fees, the annual increase in base franchise fees will total approximately \$88.00 annually over and above the amount being paid to City currently, equaling a total of \$1,760.00 in increased revenues and \$5,120.00 in total revenues to the City during the 20 year term of the renewed franchise (10 years plus two 5 year options to extend), plus the base granting fee of \$1,600.00 and the retroactive base franchise fees covering the period from expiration of the existing franchise up to the time the renewed

franchise goes into effect. This amount does not include the annual CPI adjustment, so the actual revenue received by the City over the renewed term will be greater than this estimate.

VI. EXHIBITS

1. Resolution No. 22-061

2.

Application

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